



Issue No. 15 FALL 2001

# THE VIRGINIA STATE BANKER

Regulatory News for Virginia State-chartered Banks

## State Corporation Commission - Bureau of Financial Institutions

E.J. Face, Jr., Commissioner

### IN THIS ISSUE

1

Colorado v. Cash Now Store, Inc.

2

Directors' College  
LifeSmarts

3

39 Suspected in Funding Terrorists  
Note from the Commissioner  
Attention to Security

4

Anti-Terrorism Act of 2001

5

Bureau Profile

6

Service Pin Ceremony  
US Customs Awards Nicholas Kyrus



Commissioner Face (right), is joined by employees of Lee Bank and Trust Company; Lana Sergent, Cranston Bellamy, and President Harry P. Rowlett at the Directors' College in Charlottesville. Story, Page 2.

The Virginia State Banker is published quarterly by the Virginia Bureau of Financial Institutions to provide useful information to the banks and savings institutions that it regulates, and any of their related interests. Reader comments and suggestions are welcome and should be addressed to:

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### ACKNOWLEDGEMENTS

Thanks to the following persons for their help in producing this issue of the Virginia State Banker:

Commissioner Face  
John Crockett  
Charles Dickerson  
Betty Hicks  
Bob Mednikov  
Jonathan Orne  
Jane Owen

## SUPREME COURT REVERSES DECISION IN COLORADO v. CASH NOW STORE

The Colorado Supreme Court reversed the Court of Appeals' judgment and remanded the case to the trial court for a hearing to determine whether the Cash Now Store, Inc., is engaging in conduct prohibited by the Uniform Consumer Credit Code (UCCC).

Commissioner Face served as co-amicus in the case of Colorado v. Cash Now Store Inc. in Colorado. In this case, the State of Colorado sought review by its Supreme Court of a case brought under the State's Uniform

Consumer Credit Code (UCCC) by the Colorado Attorney General and UCCC Administrator against a local company which "purchased" income tax refunds from individuals at a steep discount.

The Colorado officials contended that this activity is an unlawful consumer lending business. Two lower courts ruled to the contrary. Commissioner Face, along with government officials and agencies of other states, supported the Colorado officials' position that the transactions are, in substance, loans.

# FALL DIRECTORS' COLLEGE A SUCCESS

Directors' College held at  
Boar's Head Inn,  
Charlottesville, VA

Once again the Bureau teamed with the Virginia Association of Community Bankers (VACB) and federal regulators to present the Fall Directors' College. Sixty-one directors representing twenty-five institutions attended the October 24 through 25 event at the Boar's Head Inn in Charlottesville. The Directors' College was started in 1999 to provide bank directors a better understanding of the regulatory process and to facilitate communication between bank boards and regulators.

Sixty-one  
directors  
representing  
twenty-  
five  
institutions  
attended  
the two  
day event



Presentations covered the regulators' CAMELS bank rating process, risk-based supervision, responding to examination reports, and compliance and economic issues. The evening social and dinner was highlighted by insights into the workings of Congress by Conference of State Bank Supervisors Legal Counsel John "Buz" Gorman.

Directors had an opportunity to meet and discuss their interests and concerns with twenty-one regulatory officials. The Bureau delegation was headed by Commissioner Joe Face. Senior Vice President Jeffrey Kane led a group from the Federal Reserve Bank of Richmond, and Acting Regional Director Chris Spoth represented the Federal Deposit Insurance Corporation.

Critiques from the participants were favorable and good ideas were offered to improve future colleges.

*Details of the Spring 2002 session of the Directors' College will be available in the next issue of the State Banker*

## BUREAU TO PARTICIPATE IN LIFESMARTS

Deputy Commissioner John Crockett is representing the Bureau/SCC as a member of the LifeSmarts Coalition. The LifeSmarts program is designed to be a classroom or group activity, to teach teens to be smart and responsible consumers and citizens. It also helps them develop teamwork skills, self-esteem, verbal communications skills, and leadership abilities. Decision making, better use of money, and an understanding of their consumer rights and responsibilities are key areas of the program.

The program is available to all teens in grades 9 through 12. Participation by special-needs students, exchange students, alternative schools, work-study groups, home schooled groups, and community organizations is also encouraged and welcomed. The program is available throughout the United States. You can go to the Web site, [www.lifesmarts.org](http://www.lifesmarts.org) to get more information.

Qualification for the Virginia competition began on-line September 24 and will run through January 25, 2002. The finals for Virginia will be held in Richmond at Virginia Commonwealth University on March 5, 2002. Commissioner Face and Deputy Commissioner Crockett will be participating as officials at the competition. Last year, Washington County's 4-H team won the State competition and traveled to San Diego, California in April for the nationals. For more specific State information and to talk with the Virginia coordinator, contact Jeff Fitch, Executive Director of the Virginia Council on Economic Education at [jmfitch@vcu.saturn.edu](mailto:jmfitch@vcu.saturn.edu).

This program provides a way for young people to enhance their financial literacy, and other life skills, while having a good time. Bankers can encourage teachers in their local high schools to look into and participate in the program, and by doing so, foster financial responsibility in their communities.



## 39 MORE SUSPECTED IN PROVIDING FINANCIAL SUPPORT TO TERRORISTS

As reported by CNN, the Bush administration added 39 names Friday, October 12, 2001 to the list of individuals and organizations whose assets in the United States are being frozen because they are suspected of providing financial support to terrorist groups. The 39 are in addition to the 27 names on the administration's initial list. Six of the new names are entities, while 33 of them are individuals. Treasury Secretary Paul O'Neill signed the "blocking order." The administration is providing the list to other governments as well, and asking them to join the international crackdown on terror financing. Secretary O'Neill reported that 62 nations had already frozen some assets, and that 102 more nations had indicated an intent to join that aspect of the international coalition.

At a recent press conference, O'Neill reiterated the government's plan to starve terrorists of their funding. "We're determined to deny terrorists the resources to carry out their acts of evil," said O'Neill.

Commissioner Face would like to make sure all of our Virginia-chartered institutions are aware of this asset blocking requirement. You are encouraged to check the following Web sites to keep current on additions to this list.

To view the Order, go to <http://www.treas.gov/ofac/t11ter.pdf>

The OFAC home page is <http://www.treas.gov/ofac/>



**Jonathan B. Orne**

### NOTE FROM THE COMMISSIONER - E.J. FACE, JR

As you read in the last edition of the Virginia Banker, long-time Senior Counsel Bill Schutt retired effective October 1, 2001. After interviewing several candidates, the internal interview panel selected Jonathan B. Orne to fill the vacant position of Senior Counsel.

Mr. Orne is not new to the State Corporation Commission or BFI. He joined the SCC in 1986 after many years in private general law practice. Mr. Orne was also the former Assistant Director and a Staff Attorney for the Metropolitan Richmond Legal Aid Project. Jon holds an undergraduate degree in Education from Oberlin College in Oberlin, Ohio; and a law degree from the University of North Carolina School of Law.

As Senior Counsel, Jon's responsibilities will be advising the BFI on all legal matters related to financial institutions regulated by the BFI, including depository and non-depository institutions. Congratulations to Jon Orne.

## INCREASED NEED FOR ATTENTION TO SECURITY

Given the events of the last month, and an increasing number of security breaches at service providers, it is incumbent on management of all financial institutions to increase their focus on security issues. Compromised customer data, Web

page vandalism, and fraud from inside or outside the bank are all issues management must give extra attention. The federal agencies have put out a significant volume of guidance over the last year. While it is easy to get bogged down trying to

wade through it all, the current state of our world demands closer scrutiny of controls set up to curb intrusions. If you are not having audits performed of your information systems and electronic banking areas, you should give them serious consideration.

# ANTI-TERRORISM ACT OF 2001

On October 26, the President signed into law the USA Patriot Act of 2001. Title III of the bill focuses on beefing up the current U.S. money laundering defenses and changes those laws to help deal with terrorism. Highlights of the money laundering provisions in the law include:

## Title III of the USA Patriot Act of 2001

- ◆ Allows the Secretary of the Treasury to require increased record keeping and reporting by financial institutions concerning transactions involving:
  - √ Jurisdictions outside the United States
  - √ Financial institutions outside the United States, and/or
  - √ Classes of transactions involving jurisdictions outside of the United States, that are considered by the Secretary to be a primary money laundering concern.
- ◆ Requires special due diligence for correspondent accounts and private banking accounts involving foreign persons or financial institutions and prohibits U.S. financial institutions from establishing correspondent accounts with foreign shell banks with no physical presence.
- ◆ Requires the Secretary of the Treasury to adopt regulations to encourage cooperation among financial institutions, their regulatory authorities, and law enforcement authorities to share information regarding individuals, entities and organizations engaged in terrorist acts or money laundering activities.
- ◆ Increases the maximum criminal and money penalties for money laundering from \$100,000 to \$1,000,000.
- ◆ Broadly limits a financial institution's liability to any person for submitting a suspicious activity report, for voluntarily disclosing a possible violation of law or regulation to a government agency, or for failure to provide notice of the report/disclosure to the subject of the report/disclosure.
- ◆ Requires financial institutions to establish anti-money laundering programs that include:
  - √ Development of internal policies
  - √ Designation of a compliance officer
  - √ Ongoing employee training programs, and
  - √ An independent audit function

The Secretary of the Treasury may also require additional minimum standards.

- ◆ Authorizes insured depository institutions to disclose in written employment references to other insured depository institutions information concerning the possible involvement of that employee in potentially unlawful activities.
- ◆ Amends the purpose of the Bank Secrecy Act and the filing of suspicious activity reports to include protection against international terrorism.
- ◆ Requires consumer-reporting agencies to furnish consumer reports to a government agency for the purposes of intelligence or counter-intelligence activities related to international terrorism.

**Bankers are urged to lookout for additional information regarding the provisions of this new law and for new regulations which will be forthcoming in 2002.**



# BUREAU PROFILE



## EDITH STARSJA

Born in Austria in 1927, Edith Starsja is the SCC's oldest employee. When she was eleven, Hitler took over Austria and Edith spent her teen years under Hitler's rules. There was no dancing or staying out after dark, unless you were 18 years old. The war years are another story. After the war, the trend was to participate in the Arts. Edith studied ballet and national dancing with a retired solo dancer of the Vienna State Opera. Edith met her husband Mel in 1946 while he was stationed as an American G.I. in Vienna. Mel was transferred back to the USA in 1950 and volunteered for an assignment in Korea for six months. In the meantime, Edith applied for immigration to Canada and left Austria in 1952. She and Mel were married in 1952 and eventually moved to Massachusetts in 1954. Mel was transferred once again, this time, to the Azores Islands. Edith would follow him as this gave her the opportunity to obtain American Citizenship under the McCarren Act. In 1955, they returned to the USA and lived in Maine. They also lived briefly in Massachusetts, Georgia, Florida, Ohio, Texas, and then finally in Virginia.

Edith quickly realized that she could not get a good job without a college education. With Mel traveling, and her children in school, Edith had time to study and began pursuing her education. By age 50, she had obtained two degrees, one in Accounting and one in Business Management. In 1984, after working for Crestar Bank for 5 ½ years, Edith saw an ad in the Richmond paper "Bank Examiners wanted." She applied and got the job and is still here after 17 years. "There have been many changes in banking, too numerous to mention, since I joined the Bureau," says Edith. "There is one certainty in life," she says, "and that is change. We all change over the years and so do the rules." She found it very interesting to be a bank examiner and to travel to different banks and meet different people all over Virginia. People ask: "When are you going to retire?" "Well," she says, "I am only 74, why should I retire? I will retire when I am getting old." As for hobbies, Edith has three accordians, three keyboards, and one electronic organ. She also enjoys swimming in her neighbor's pool. For company, Edith has a little black Chihuahua named Teddy Bear, the last one out of a total of five. As for ballet dancing, she gave it up for marriage, but took up belly dancing on a lark.

## AT A GLANCE

### Current Position / Years of Service:

Financial Analyst / 17 years

### Main Responsibilities:

Conduct examinations of State-chartered banks

### Education:

John Tyler Community College,  
Associates Degrees in Accounting  
and Business Management

### Family:

One daughter and one son

### Personal Interests:

Collecting jewelry, swimming,  
dancing

## EMPLOYEES HONORED AT SERVICE PIN CEREMONY

SCC employees were presented with service pins for their hard work, reliability, and years of dedicated service. Employees with 20 years of service or more were honored at a ceremony held on November 6.

The following BFI members received service pins this year:

### 5 Years

Russell M. Spain, III  
F. Diane Cochran  
Robin W. Hall  
Garth S. Hancock, Jr.  
Michael G. Holland  
Stuart A. Tripp, III  
John S. Voit

### 10 Years

Ellwood M. Johnson

### 15 Years

Rosa Lewis

### 25 Years

Joanne R. White

### 30 Years

Martin B. Williams  
James A. Russell, Jr.

## U.S. CUSTOMS AWARDS NICHOLAS KYRUS



On November 8, 2001, the United States Customs Service in Washington recognized Deputy Commissioner Nicholas C. Kyrus of the Virginia Bureau of Financial Institutions for his assistance with the agency's on-going money laundering efforts. Mr. Kyrus, who is a member of the Board of Directors of the Money Transmitter Regulators Association and past president of the Association, was presented with a plaque for his service.